SHRI **AJTT** PANJA: Yes, Sir, both the points have been covered by. the Finance Minister in his Budget Speech. I will read out the relevant portion:

"The Government has been examining the utility of the Gold Control Act to see whether it has served its purpose or not and whether it requires any modification. In the light of this examination the Government proposes to modify the Gold Control Act with a view to keeping a measure of contool over primary gold only. This is expected to benefit hundreds of thousands of goldsmiths and artisans who will be able to freely conduct iheir age-old traditional profession and provide better service to the customtrs in terms of quality, purity and price. Further this wil} lead to boost in the export of gold jewellery"—the point mentioned by the hon. Member—"which has been stagnant.'

The detailsls are being worked out as 1 have already stated.

MR. CHAIRMAN: He wanted to knos whether there is any proposal to permit import of primary gold for the purpose of export of the finished product.

SHRI AJIT PANJA: Various recommendations have been made. Already FM has answered. This is one of the suggestions made by these two Committees. It has gone to the group of Ministers. They have made the recommendation.

PEPSICO proposal under Export Oriented Unit Scheme

*342. SHRI DIPEN GHOSH:f

SHRI CHIMANBHAI MEHTA:

Will the Minister of COMMERCE be pleased to state;

(a) what is the progress relating to he 100 per cent Export Oriented Unit

{•The: question was actually asked on the floor of the House by Shri Dipen proposal of Pepsico which is pending consideration by the Special Board for approval;

(b) whether all the profits are proposed to be repatriated and what will be the foreign exchange gain; and

(c) whether proprietory ingredients are proposed to 'be imported and whether domestic sales will be allowed?

THE MINISTER OF COMMERCE (SHRI DINESH SINGH): (a) to (c) A Statement is laid on the Table of the House.

Statement

Pepsico India Holdings Inc. had submitted an application dated February 10, 1989 for establishing a 100 per cent Export Oriented Unit for thd production of proprietary compound preparations to be used in the manufacture of non-alcoholic beverages. The company had indicated repatriation of all dividends of Rs. 13.39 crores and a net foreign exchange inflow of about Rs. 12.00 crores over five years. Import of raw materials consisted of blends and emulsions of essentials oils for a value of about Rs. 5.68 crores. The company sought the facility of sale of 25 per cent of the production in the Domestic Tariff Area.

The company has, subsequently, furnished revised calculations on 2nd August, 1989 restricting the repatriation of profits to Rs. 6.02 crores and indicating that the net foreign exchage inflow would be about Rs. 26.48 crores.

The matter is under consideration.

SHRI DIPEN GHOSH: Sir, I have gone through the reply. Before I put my exact supplementary, I would like to point out that when Pepsico was allowed to enter our country for the manufacture of horticultural products, this particular US-based multinational was allowed to enter our country to develop the horitcultural industry. On the floor of this House, the Minister of Food Procesing Industries had clearly stated that Pepsi co has been allowed to develoti the

horticultural industry to help the farmers of Punjab and also for better utilization of their surplus horticultural produce. Now Pepsico has applied for the setting up of an export-oriented unit in NOIDA and, as the Minister has stated in his reply, it is "for the production of proprietary compound preparations to-be used in the manufacture of non-alcoholic beverages" which means, absolutely, the soft drink industry. Sir, from the reply itself it is seen how the company has been changing the stipulations while applying for the setting up of this unit as an expor-oriented unit.

MR. CHAIRMAN: Put your question, please.

SHRI DIPEN GHOSH: I am putting the question. This flows from the reply. Initially they had suggested that they would be repatriating all the dividends. Now they have been 'saying that the repatriation of dividends would he restricted to a certtoin amount. But while giving permission 0 enter into a collaboration igreement with Punjab Agro Industries and also Voltas for. the manufacture of lorticultural products in Punjab, it was itated that his company would not be allowed to import the main ingredients of he soft drink industry, that is, the con-:entrate. Now in the reply it is stated hat "Import of raw materials consisted of jfends and emulsions of essential oils or a value of about Rs 5.68 crores." rhey have asked for permission..-.

Mr. CHAIRMAN: This is written in he answer. Why read it out? Put your raestion, please.

SHRI DIPEN GHOSH: That is why, part (a) of my first supplementary is, vhether Pepsicos application for the seting up of an export-oriented unit in noida is intended to circumvent the enorcement of certain conditionalities which were imposed when they were alawed a joint venture in the horticultural ndustry. Part (b) is, what are the oints on which Pepsico has now climbed own from the original stipulation of epatriation of the entire dividends to a sstricted amount of Rs. 6.02 crores? I want to know whether they have agreed to allow 60 per cent equity participation in the export-oriented unit which they propose to set up.

THE MINISTER OF STATE IN THE MINISTRY OF COMMERCE (SHRI P.R. DAS MUNSH1): Sir, first of all, I would like to inform the hon. Member that so far as the Pepsico proposal in the DTA with the Punjab Agro is concerned, it is not in the domain of the Commerce Ministry. It is a matter related to a food processing unit. The Commerce Ministry deals with only a matter which comes for 100 per cent export oriented unit and the EPZ. For the information of the hon. Member, I would like to inoform him that nobody applies for 100 per cent export oriented units are independent units governed by concepts. The. EPZ is Export Processing Zone, and 100 per cent export oriented units are independent units governed by the unit itself. So, the application for Pepsi-Cola about which the hon. Member referred, was for 100 per cent EOU in Punjab, not in the NOIDA.

In so far as their proposal is concerned, it is a fact that they submitted their first proposal on 10th February. A special committee, while examining it, found that the parameter on the basis of which we accord the permission, was not the consideration of the matter. Thereafter they submitted a revised application which we have received only on the 2nd of August. Today, fulfilling the obligation. So, we deferred the hon. Member will appreciate, it is the 10th of August. After receiving the second proposal, we have referred it to the Ministry of Food Processing Industries for their comments because it is concerning their Ministry also.

SHRI DTPEN GHOSH: Though h is true that the perimssion to be given for participating in a joint venture in the manufacture of horticultural produce, perhaps to the Ministry of Food Processing Industries, one of the condL tionalities of that permission is that this -particular firm would not be allowed to import main inirredient or use their brant name. Obviously, Sir,. -

MR. CHAIRMAN Listen.

SHRl DIPEN GHOSH: I have listened. That is why I am saying this.

MR. CHAIRMAN: These are two different concepts.

SHRI DIPEN GHOSH: When the Food Processing Industries Ministry had put an embargo on the Pepsico that they would not be allowed to import any main ingredient while participating in a joint venture with the Punjab Ago and the Voltas in the manufacture of horiticultura! produce. they must have got their clearance or they must have interacted with the Commerce Ministry. They have not done it.

Now, this application 'for the export-oriented unit says that they may be allow. ed to import main ingredient. So, it comes into conflict with the decision of the Food Processing Industries Ministry. Will the Minister of Commerce kindly take into view that while permitt'ng the Pepsico's joint venture with the Punjab Agro Industries and the Voltas in horticultural produce this company was not allowed to import main ingred'ents? So keeping this in view will this ministry of Commerce consider their prooosal for starting a new unit under the export processing zone?

SHRl p. R. DAS MUNSHI: I would like toinform this to the hon. Member. I think, he is precisely referring once again to the matter of the units of the DTA. He should no confuse the issue bv referring the= DTA matter to the EOU This is altogether a different. concept. If somebody applies on certain conditions to set a unit in the DTA, it is exclusively eovernerf by the same principles which govern units in the DTA. But, if somebody applied for an EOlJ and EPZ, it is accoroding decided by the EPZ provisions. If anybdoy annlies for an EOU and ETJZ. he is certainly entitled to improt his things subject to the conditions prevribed for the EOT J and EPZ units. So n prosnal! which is linked with the punjab agrai is in no wav linked with the EOU proposal or the EPZ proposal whatever it may be. Therefore, I would again appeal to the hon. Member. Please see our answer. You have asked about the EOLJ application. We have replied about the EOU application which is not linked with the DTA.

SHRI DIPEN GHOSH: Mr. Chairman, Sir, I understand that there are two different sets of rules.

MR. CHAIRMAN; This is a 100 per cent export oriented unit.

SHRI DIPEN "GHOSH: But the question is, the applicant is the same company. While dealing with the application of partipating in a joint venture in ano'her sector one particular Ministry of the Government of India is taking a decision that that company will not be allowed to import this particular item. But the same company applied 'for industries in EOU.

SHRI P. R. DAS MUNSHI: Sir, I have clearly state. . .

SHRT DIPEN GHOSH: Listen to my question. You reply to my question. *{Interruptichs).*

MR. CHAIRMAN: You are confused. The two concepts are different.

SHRI DIPEN GHOSH: I am not confu-ed. Sir. The company is the same , and single company.

MR. CHAIRMAN: But it is a different unit for 100 per cent export.

SHRT DIPEN GHOSH: That I understand. Sir...

MR. CHAIRMAN: Mr. Chinmanbhai Mehta.

SHRI DIPEN GHOSH: That is a single company. They are trying to circumvent the rule of this Department by another department.

MR. CHATRMAN: Here they are under obligation to export one hundred per- cent .

SHRI CHIMANBHAI MEHTA: Now, there is a basic contradiction in the application, which has been brought about in the answer. You have rightly said that it is a hundred per cent export-oriented unit. The Company has sought the facility of twentyfive per cent of the pro. duction in the domestic area.

MR. CHAIRMAN: Is it not one hundred per cent oriented?

SHRI CHIMANBHAI MEHTA: That is the whole point.

MR. CHAIRMAN: In that case it is relevant.

SHRI CHIMANBHAI MEHTA: Then they have been guided by different rules, but they are operating under one rule for different aeas. So, I want to know this thing specifically. First of all the answer the hon. Minister gave is that the matter is under consideration. As per my knowledge if an export-oriented unit enters the domestic market and it adversely affects the local maket, then you cannot consider it even. This is a wrong consideration. So, my question is whv is the Minister giving this reply and why is he entertaining the application? You should have rejected it outright. Why have you not done so? That is my question.

SHRI DINESH SINGH: There are certain rules which we go by in regard to industries that are set up in the export promotion zones both in the EPZ and in the EOU. Then there is a provision that up to 25 per cent the production could be allowed for consumption in the domestic area.

MR. CHAIRMAN: That means it is not 100 per cent then. He said it is 100 per cent. So, I thought it is 100 per cent.

SHRI DINESH SINGH: The point that seems to be of concern *to the* hon. Member is that there is a domestic operation area industry and now there is a request for a 100 per cent export unit; that the two should not conflict. I can assure the hon. Member that there will be no conflict because the same Ministiy which has given permission for the domestic area is being consulted in this case. So, there can be no question of conflict between the two.

SHRI CHIMANBHAI MEHTA: No, Sir. I may be permitted again. It is a very vague answer. I want to clearly mention that you cannot permit a domestic sale to this kind of a company. First of all it is a foreign-owned unit. It is not a local industrialist putting up an export zone unit.

MR. CHAIRMAN: H_e has said it is under consideration.

SHRI CHIMANBHAI MEHTA: But it cannot be under consideration also according to their rules, Sir. It cannot be under consideration because if anything adversely affects....

SHRI DIPEN GHOSH: The objection, is because it is a one hundred per cent foreign company.

SHRI CHIMAINBHAI MEHTA: This is the way how the whole thing is being smuggled. Therefore, I would request the hon. Minister... s

MR. CHAIRMAN: Not to consider it. That is all.

SHRI CHIMANBHAI MEHTA: And give an assurance that it will not be permitted for domestic sale. Let him consider the suggestion here itself.

SHRI DINESH SINGH: Sir, therd are certain rules and regulations. I cannot make a statement here saying that this will not be permitted without our giving consideration to it.

SHRI SANTOSH BAGRODIA: I would like *to* know from the hon. Minister what are the precise benefits that will accrue from the proposals towards the advancement of food processing technology in India. I would also like to know whether the Government plans similar foreign collaboration in food processint in other parts of the country also.

SHRI P. R. DAS MUNSHI: The matter relating to food processing should be addressed to the Food Processing Ministry. But in regard to this particular proposal we have already answered that it ii being examined and it has not been given consent at all. We have referred the matter to the Food Processing Ministry. Unless we get their information and comment concerning the proposal, it would be difficult at this stage to say as to what will be the outcome of this proposal and the benefits out of the proposal.

SHRI GURUDAS DAS GUPTA: I do not undersiand this unusal love or craze for a foreign multi-national for just producing non-alcoholic beverage in the country. I am not against import of foreign technology in those sectors where our Government does not have the expertise, but this is precisely an area which we call a 'non-priority sector'. Therefore, in such a non-priority sector, why the Government has taken upon itself the responsibility of inviting hundred percent American company to produce non-alcoholic beverages? Is it a fact that these multi-national companies are posing danger to the national integrity, national independence in many parts of the wc Id? We have our experience in different countries of the world and the Prime Minister himself on a number of occasions told the harmful role of the multi-national companies. Therefore, it has a political aspect also. From all these considerations Sir, I would like to know what makes the Government consider the application Of a hundred per cent. American company to produce non-alcoholic beverages which is a non-priority sector? That is (a), Sir. And (b) part, Sir: has the Government taken into consideration the impact these products will make on the domestic producers? Our domestic producers are going to be ruined because of unusual love for a foreign company.

SHRI DTNESH SINGH: Sir, the hon. Member has raised a very wide issue of industrial policy in relation to trans-national corporations and it will not be possible to discuss it in the Question Hour. Now, this matter has been fully discussed when the Industrial Policy Resolution came up before the two Houses and the role of trans-national companies has also been discussed. We have a large number of trans-national companies operating in this country and they are operating in other parts of the countries also. It depends on the amount of control that we exercise over these companies as to their effect on the domestic industry, I can say that so far the Government has been able to very successfuly curtail the operations of these companies to conform with our national requirements. There has been no deviation in that regard. Therefore, the hon. Member need not be too anxious about this.

Regarding preference of Coca-cola or Pepsicola, I think, the hon. Member might ask his children whether they would prefer this one or the domestic drink. It is a question of market.

SHRI GURUDAS DAS GUPTA: It is a question of culture. Mr. Chairman, Sir, that depends upon the parents' culture. If the parents bring up the children well, then, there is no love for foreign goods.

SHRI DINESH SINGH: Well, the hon. Member is free to control his children, Sir. But so far as the question of its impact on the domestic soft drink industry is oencerned, it has been calculated that it will be less than10 per cent if at all permitted.

SHRI VTTHALRAO MADHAVRAO JADHAV: Mr. Chairman, Sir, in the answer itself it has been given: "100 per cent export oriented unit for the production of proprietary compound preparations to be used in the manufacture of non-alcoholic beverages." May I know. Sir, from the Minister what are these proprietary compound preparations which ar- used in the non-alcoholic beverages?

My another supplementary is about import of raw materials consisting of blends

and emulsions of essential oils for a value of about Rs. 5.68 crores. May 1 ask the hon. Minister, through you, whether these raw materials consisting of blends and emulsions of essential oils are available indigenously? If they are available, why these things are being imported?

My last supplementary is: what are the horticultural products that will be marketed in Punjab?

SHRI VITHALRAO MADHAVRAO JADHAV: Is there any cost-b;ntfit ratio with the raw material and the finished product? What benefit the 'farmers would get by supplying the horicultural products, As far as farmers benefits are concerned, what guidelines have been given to the company?

SHRI P R. DAS MUNSHI: Sir, the last part of his question again may be referred to the Food Processing Ministry. It concerns their Ministry.

In so far as the first part of his question is concerned we have already said which are the raw materials that will be imported by these proposals. Since we have not taken a decision on the proposals and merely on merit we have referred it to the Food Processing Ministry, it is difficult at this stage to explain all these details.

SHRT GHULAM RASOOL MATTO: Sir, according to the present import policy, the projects in export processing zones when they arer set up automatically are entitled to 25 per cent sale in the local market. Then, those industries are set up for export zones. But is there any distinction between such type of industries which are se uo and those which have undertaken to give 100 per cent export guarantee? If there is a distinction, this distinction may be clarified.

SHRT p. R. DAS MUNSHII: Sir, in cur recent policy appraisal both for the 100 per cent export oriented units as well as for the EPZ units, we consciously took a decision keeping in view our growing competition oi ouw-item in the industrial market that a few items which directly create a substantial threat to the indigenous growth of the particular industry which is abundant in the country, there should be positive icstrictions on those items not ta be brought into the DTA even zero per cent and not even 25 per cent and those are jewellery, diamonds, precious and semiprecious stones, motor cars, video and audio casettes, and silver bullion. These are the items which we do not bring and the items which we allowed up to 25 per cent, I would lika to inform the hon. Member, it should not be taken that they can-bring as it is. They have to pay the full customs duties on them which are applicable to all foreign goods to bring the same to the domestic market. These are also monitored. Excepting these items all are allowed. But ff we feel, in some cases, which are verv sensitive, we take time to examine the basic impact on the domestic market-before giving the approval.

PROF. C. LAKSHMANNA; Mr. Chairman, Sir, the Minister stated that this particular application has been forwarded to the Food processing Ministry. I would like to know, in the first instance, as part (a) of my question, which aspects of this application of Pepsico have been referred to the Food Processing Ministry for clearance. Part (b) of my question is, v.'hether this unit will be ultimately cleared as cent per cent export oriented unit or is it being still considered as part of the EPZ? Sir, unless they take the clause of EPZ, ths facility of 25 per cent sale in the domestic tariff area will not be there. Therefore, I would like to know categorically from the Minister as part (b) of my question whether it is being considered as part of cent per cent export promotion unit or is a part of the FPZ? which alone has a provision for this, Part (c) of my question... *(Interrup ' tlons)...*

MR. CHAIRMAN: No, no.

SHRI P. R. DAS MUNSHI: Sir, again, I inform the hon. Member that this application was for 100 per cent export oriented unit and not for the EPZ and since the Board of Approval consists of various Ministries including the oencerned Ministry on this subject therefore, before, taking a decision, we refer the matter to the concerned Ministry to give their viewpoint in the overall proposal. So, the proposal we received was revised on 2nd of August and we found that it is again related to the Food Processing Ministry. So, our Board decided to refer it back to the Food Processing Ministry to know their viewpoint and then bring back to the Board to arrive at a decision. Furthere the 25 per cent opportunity to bring the goods in the DTA is both for immediate and for future.

SHRI VITHALBHAI M. PATEL: Mr. Chairman, Sir, I want to know from the Mnister whether the proposal which came from the Pepsico was processed by the Government to put up a plant in Punjab because at that time, it was said that by the proposal which came before the existence of the Food Processing Ministry thate the farmer, of Punjab will be benefited.

MR. CHAIRMAN: That was a different case....

SHRI VITHALBHAI M. PATEL: That I want ad to know, Sir.

MR. CHAIRMAN: You are the same person. You ars in INTUC. You are in trade union. You are a citizen You are a Member. AH this means the same person.

SHRI P. R, DAS MUNSHI: Sir, as I referred earlier, when the proposal came, the Food Processing Ministry was very much in existence.

SHRI YASHWANT SINHA: Sir, actuallv this concept of 100 per cent _____

MR. CHAIRMAN: Mr. Jagesh Desai, you are on the Pane] and you know the rules. Please observe the rules yourself. When you come in the Chair, you can make people observe the rules if you observe yourself Please. I have the right to decide whom to call and when to call.

SHRI JAGESH DESAI: I do not deny, Sir.

MR. CHAIRMAN: Then why are you creating problem? *(Interruption)*. I will decide when to call you. You have done it two or three times. It is very unusual. There should be something.

SHRI YASHWANT SINHA: Sir, this concept of 100 per cent export-oriented unit is actually a misnomer because as the Ministers themselves have aid, 25 per cent can be off-loaded in the Domestic Tariff Area. Then it is.. *(Interruption)*. . at best, 75 per cent export-orienied. Now, one of the concepts there is the concept of value added. I would like to know from the Minister ,Sir, what is the value added as made obvious in the proposal of pepsi Cola, What is going to be the value added, what percentage? A.nd does it fall within the guidelines which have been fixed for this, kind of industry by the Ministry of Commerce in terms of value added? The second part is, you yourselves have ruled that if 30 per cent of the production is indigenoua in content then you will allow 25 per cent to be off-loaded in the Domestic Tariff Area and if it is less than 30 per cent, then it will be 15 per cent. What you will allow in the Domestic Tariff Area will be only 15 per cent. I would like to knos from the Minister whether in the proposal of Pepsi Cola the indigenou, content is above 30 cent or below 30 per cent which in terms of the Government rule should determine whether off-loading will be up to 25 per cent or 15 per cent.

SHRI DINESH STNGH: Sir, the hon. MemVr knows, being a Member of our Committee, that we allow up to 25 per cent. It does not mean that all of them wi'1 will permitted 75 per cent entrv into the DTA Each case is considered on its own merit. Now, there is a broad guideline that we observe. That is, if the

value addition is more than 30 per cent, then up to 25 per cent could be considered for Domestic Tariff Area Entry and if it is less than that then we consider giving up to 15 per cent. But it is on an individual case basis. There is no obligation that up to 25 per cent will automaticlly be agreed to. In this particular case, in the revised application that Pepsi Cola have put in, their value added is more than 30 per cent.

SHRI YASHWANT SINHA: Sir, it is a factually incorrect reply.

MR. CHAIRMAN.- I have to depend on him.

SHRI YASHWANT SINHA: : I I am saying it is an incorrect reply.

MR. CHAIRMAN: You are saying. But what can I do?

SHRI YASHWANT SINHA: I am saying it is incorrect because I am talking of two concepts. I am talking of the concept of value added which includes the labour cost also and many other costs and the indigenous content in terms of what goes into the production, not minus the labour. That is 30 per cent. If it is 30 pec cent then you will allow up to 25 per cent. If it is less than 30 per cent then you will allow only 15 per cent. And there is a separate concept of value added. I am sure the Minister is aware of that. What is the total value added in the ultimate product whichis going to be manufactured by Pepsi Cola? What is going to be the total value added taking all factors into account? And you already have guidelines as to what should be the minimum value added before you permit it in the Export Promotion Zone or as an export-oriented unit.

SHRI DINESH SINGH: I explained exactly that. Sir. If you would kindly read my reply tomorrow, you will find that it is exactly what I have said. *(Interruption)* .

MR. CHAIRMAN: Please repeat it. He has not followed it. Will you kindly repeat?

SHRI DINESH SINGH: The total value added, as I said, is more than 30 per cent. They have estimated it as 52 per cent.

MR. CHAIRMAN: Question No. 343. *(Interruptions).*

*343. *[The questioner (Shri Subas Mohanty was absent. For answer* vide *col .... infra]*

Appointment of non official directors in National ised banks

*344. SHRI BHAGATRAM MANHAR:

DR. BAPU KALDATE:

Will the Minister of FINANCE be pleased to state:

(a) whether Government's attentioB has been drawn to the news-item which appeared in the 'Hindustan Times' of 4!h yo February, 1989 ' captioned 'Non-official Directors for Banks soon';

(b) whether it is a fact that Government have not so far made any announcement in this regard;

(c) if so, what are the reasons for inordinate delay in taking a decision in the matter particularly when the vacancies have been lying unfilled in all the banks since 1985; and

(d) by when a final decision in the matter is likely to be taken?

THE MINISTER OF STATE IN THE DEPARTMENT OF ECONOMIC AFFAIRS IN THE MINISTRY OF FINANCE (SHRI EDUARDO FALEIRO): (a) and (b) Yes, Sir.

(c) and (d) The appointments are likely to be finalised soon.

The question was actually asked on the floor of the House by Dr. Bapu Kaldate.